



JUL 20 2005

The Honorable Ernie Fletcher
Governor of Kentucky
The Capitol Building
700 Capitol Avenue, Suite 100
Frankfort, Kentucky 40601

Dear Governor Fletcher:

It is with pleasure that I respond to the Commonwealth of Kentucky's request for waivers of statutory and regulatory requirements under the Workforce Investment Act (WIA). This action is taken under the Secretary's authority to waive certain requirements of WIA Title I, subtitles B and E and Sections 8-10 of the Wagner-Peyser Act. In the Strategic State Plan for Title I of the Workforce Investment Act and the Wagner-Peyser Act for the two-year period, July 1, 2005, through June 30, 2007, the Commonwealth submitted six waiver requests. The following is the disposition of the waiver submission (copy enclosed).

Requested Waiver 1: Waiver to increase the transfer authority of Local Workforce Investment Boards from the current 20 percent to 100 percent for Adult and Dislocated Worker funds.

This waiver request for funds transferability is consistent with one of the improvements that the Administration is seeking in the reauthorization of the Workforce Investment Act—the consolidation of the WIA Adult, WIA Dislocated Worker and Wagner-Peyser Act (Employment Service) funding streams. This request is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e). Accordingly, the Commonwealth of Kentucky is granted a waiver of the funds transfer limitation at WIA Section 133(b)(4), through June 30, 2007. The waiver allows the Commonwealth to approve local area requests to transfer up to 100 percent of local area allocations between the WIA Adult and Dislocated Worker programs.

Requested Waiver 2: Waiver to use Individual Training Accounts (ITAs) for youth participants.

The Commonwealth indicates that the waiver will offer flexibility in using youth funds to provide training services to youth while retaining limited adult funds to be used on adult training services. The request further states that the waiver will allow local areas to enhance delivery of occupational skills training and increase customer choice for

youth. This request is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e). The Commonwealth is granted an extension of the waiver of the prohibition on the use of ITAs for older and out-of-school youth at 20 CFR 664.510, through June 30, 2007. The Commonwealth should ensure that funds used for ITAs are tracked and reflected in the individual service strategies for these youth.

Requested Waiver 3: Extension of the waiver of the time limit on the period of initial eligibility at 20 CFR 663.530.

The Commonwealth indicates that an extension of this waiver is requested to address the continuing difficulties in the collection of "all student" information from training providers. This request is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e). Accordingly, the Commonwealth of Kentucky is granted an extension of the waiver through June 30, 2007.

Requested Waiver 4: Waiver to permit the use of up to 10 percent of formula funds allocated to local areas under WIA Section 133(b) for incumbent worker training at the local level.

This request is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e). The Commonwealth of Kentucky is granted a waiver of the language that limits the authority to provide the activities identified in WIA Section 134 to the state, through June 30, 2007. This waiver will permit local areas to request to use up to 10 percent of local area formula allocation funds for adults and dislocated workers to provide incumbent worker training. These funds must be tracked by funding stream. Please note that this waiver is also consistent with the funding flexibility the Administration has proposed as part of WIA reauthorization.

Requested Waiver 5: Waiver to exempt the Commonwealth from the requirement to meet the dislocated worker performance measures negotiated as a result of integrating the Trade program and the WIA Dislocated Worker program.

The Commonwealth's request does not meet the higher standard for waiving the key WIA reform principle of increased accountability at 20 CFR 661.410(c). However, there is a mechanism in place to address the Commonwealth's concerns without the need for a waiver. The Commonwealth will be participating in the Trade Adjustment Assistance and Dislocated Worker co-enrollment pilot, which will contain a "hold harmless" feature concerning the WIA Dislocated Worker earnings measure. We also note that ETA is currently reviewing the earnings measure and will consider the Commonwealth's concerns as part of this review.

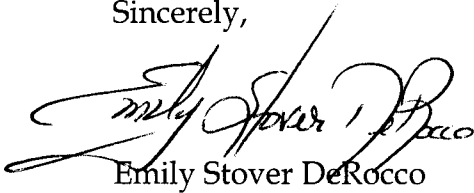
Requested Waiver 6: Waiver of federal percentage expenditure mandates on out-of-school and in-school youth allowing for state and local decisions on funding needs at WIA Section 129(c)(4)(A) and 20 CFR 664.320.

The Commonwealth seeks this waiver to allow local workforce investment areas to determine the need for WIA authorized services for out-of-school and in-school youth. We support local area discretion in determining the needs of local customers, including youth, and believe that our current requirements provide much flexibility in serving youth. Accordingly, we are not approving this waiver request.

As provided for under paragraph 3 of the executed Agreement, the approved waivers are incorporated by reference into the State's WIA Grant Agreement. A copy of this letter should be filed with the State's WIA Grant Agreement and the State's Strategic Plan, as appropriate.

We look forward to continuing our partnership with you and achieving better workforce investment outcomes. We are prepared to entertain other state and local level waiver requests that you may wish to submit, consistent with the provisions of the WIA statute and regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Emily Stover DeRocco", is written over a horizontal line.

Emily Stover DeRocco

Enclosure